

Long Range Planning Meeting  
February 7, 2018

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\* Projected Growth- Based on 35% of FY16 DESE Per Pupil Cost of \$13,984 = \$4,894 X Enrollment Growth

Long Range Financial Projection

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Explanation of Terms

I REVENUE

A. State Aid		State Aid as reported on the Cherry Sheets, including CH. 70 School Aid, Unrestricted General Government Aid (UGGA), and others.
	School Construction Aid	Reimbursement for school construction costs from an old state program. These payments run out in FY2021.
B. Local Receipts		Fees, Fines, Permits, Interest, Motor Vehicle Excise Taxes, etc. Assumption: increase by \$100,000 per year.
C. Free Cash		Free Cash is equivalent to the previous year's operating surplus. Assumption: Half of the ten year average Free Cash is allocated as a revenue source for the operating budget and the remainder is retained as a reserve.
D. Overlay Reserve Surplus		The Assessors annually release some of the reserve set aside to pay tax abatements (the Overlay). Assumption: In most years, \$200,000 is released to be used in operating budget. Some years a larger amount is released
E. Property Tax		Real estate and personal property taxes, as determined by the State law, Proposition 2 1/2 (annual increase of 2.5%, plus additions of new growth), plus amounts added for debt excluded from Prop. 2 1/2 by the voters, plus l
F. Override Stabilization Fund		The Override Stabilization Fund is used as an income source. In years of revenue surpluses, money is added, in years of deficits, money is withdrawn (see comparable item in Expenses below). Fund balance is reported in l
TOTAL REVENUES		

II APPROPRIATIONS

A. Operating Budgets		
	<u>School</u>	General Education Costs Most of the costs of running the School Department. Assumption: A 3.5% increase in the sum of the previous year's General Education Costs plus cost increase due to in enrollment growth (Growth Factor, below). Special Education Costs Costs of providing Special Education services. Assumption: These costs are assumed to increase by 7% per year. Kindergarten Fee Offset When the Arlington School Department adopted a full day kindergarten program, it eliminated fees for previous program, and the Town began receiving state aid for those students. The Offset replaces the fees the School D
	Growth Factor	
	<b>Net School Budget</b>	An estimate of the increased operating costs the School Department incurs because of enrollment growth. Enrollment assumptions are presented at the bottom of LRP. It is assumed that each new student will cost 35% of \$
		The Total School Department Budget.
	<u>Minuteman</u>	Assessments from the Minuteman Regional Technical and Vocational High School. Assumption: Each year the actual assessment is updated and future years are assumed to grow by 3.5%.
	<u>Town</u>	Town employees salaries and wages. Assumption: Annual growth of 3.25%
		Town expenses, e.g., utilities, supplies, services, repairs, etc. Assumption: Annual growth of 3.25%
	<i>Less Offsets:</i>	Offsets are amounts charged to the Water and Sewer Enterprise Fund for services provided to the Fund by Town employees. Assumption: Annual growth of 3.25%
		Personnel Services plus Expenses, minus Offsets.
	<b>Net Town Budget</b>	
	MWRA Debt Shift	The Town adopted a state law that allows it to decrease water and sewer rates and increase taxes by an amount representing all or part of the debt service assessed to the Town by the MWRA. Assumption: \$5,593,112 per
B. Capital budget		
	Exempt Debt Service	Debt service that has been excluded from the Prop. 2 1/2 limit and therefore is in addition to that limit. The exempt debt amount is included in the Property Tax calculation above and so income and expense are exactly matc
	Non-Exempt Service	Debt service (interest and principal) on items in the annual Capital Plan paid for with tax dollars.
	Cash	Items in the annual Capital Plan paid for with cash.
	Offsets/Capital Carry Forward	Multiple sources, such as grants, other funds (e.g., rental income from cell phone towers on town property, the Ambulance Fund, etc.), and bond premiums used to purchase capital items.
	<b>Total Capital</b>	Assumption: The Total of Non-Exempt Debt Service and Cash will equal 5% of the Town's Annual revenue.
C. Pensions		Annual assessment from the Arlington Retirement Board. Assumption: Annual increase of 5.5%.
D. Insurance		Health, property, and liability insurance. Assumption: Updated annually with latest enrollment figures and insurance rates. Future costs include projected teacher staffing increases to meet increased student populations, plu
E. State Assessments		Assessment from the State for various services, including MBTA, Charter School, and School Choice. Assumption: Annual increase of 2.5% (as mandated by Prop. 2 1/2).
F. Offset Aid - Assistance to Libraries		Some Cherry Sheet aid goes directly to departments and not to the General Fund. State Aid to libraries is one such example. Assumption: Current year assessment will continue unchanged.
G. Overlay Reserve		Amount of tax revenue set aside by the Assessors to pay abatements and tax exemptions (for elderly, blind persons, etc.). Assumption: \$600,000 in non-revaluation years, and \$800,000 in revaluation years.
H. Fixed Costs - Res. Fund & Elections		Reserve fund equals 1% of annual revenues. It is available to the Finance Committee to pay unanticipated and extraordinary costs, such as snow and ice removal. Election's costs vary each year depending on the number c
I. Other	Court Judgments/Symmes	Each year \$100,000 is set aside to pay for lawsuit settlements. The rest of this item is to pay the debt on bonds the Town issued to acquire the Symmes property. Those bonds will be paid off in FY2022.
J. Warrant Articles		Various warrant articles for boards, commission, town celebrations, and other items that are outside of the town, school, or capital budgets.
K. Override Stabilization Fund		In years when the budget shows a revenue surplus, that surplus is appropriated to the Override Stabilization Fund.
L. TOTAL APPROPRIATIONS		The total of all items under II Appropriations.
<b>BALANCE</b>		The operating surplus or deficit for each year of the plan. For the current year, the number will always be zero, i.e., by law and Town policy, the final budget must be in balance.
<b>Reserve Balances</b>		
	Free Cash	An amount roughly equivalent to the Town's operating surplus and fund balance that is certified annually by the State Department of Revenue.
	Stabilization Fund	A fund established by Town Meeting to provide a long-term reserve. Assumption: Annual 3% growth, plus \$100,000 appropriation from Town Meeting.
	Override Stabilization Fund	The Override Stabilization Fund was created as a result of the 2005 Prop. 2 1/2 override. The Town makes annual appropriations to the fund until the time in which it is necessary to make withdrawals for the purposes of bala
	Municipal Bldg. Ins. Trust Fund	A reserve fund established to cover extraordinary losses from damage to Town property. The existence of the fund reduces the Town's annual property insurance costs, because it allows the Town to buy insurance policies v
	TOTAL: Total reserves.	
	% of General Fund Revenue	Total reserves as a percent of total revenue.